

Personal Services Pilot Program Pilot Evaluation Report

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Summary Conclusion

With few exceptions, the Human Resources Offices of the State of Colorado's departments, agencies, and institutions of higher education ("departments") are supportive of the Statewide Blanket Waiver Pilot Program and want it to continue as a permanent program of the Colorado Department of Personnel and Administration "DPA", Division of Human Resources "DHR." The Pilot Program provides value to the State by ensuring compliance with State law and freeing DPA/DHR staff to focus on training and auditing. Thus, we recommend that the Pilot Program continue as a permanent program and practice of DPA/DHR. Appendix A contains the summary results of the questionnaire responses that provide the principal basis for this conclusion.

Background and Purpose of the Statewide Blanket Waiver Pilot Program

DPA's Division of Human Resources (DHR) is delegated responsibility for the personal services contracts program by the State Personnel Director. DHR reviews an average of 2,500 to 3,000 contracts and purchase orders annually. In addition, under CRS 24-50-509 and Director's Administrative Procedure P-10-6, the program issues personal services program waivers to departments, agencies, and institutions of higher education (departments) for specific services, dollar levels, and number of vendors. This allows departments to bypass DHR's personal services review, provided the services meet conditions established in the program waivers.

In 2002, Chapter 10 of the Director's Administrative Procedures was streamlined to allow departments greater flexibility in personal services by: (1) establishing a \$5,000 threshold for minor transactions, e.g., catering services and other services where review added no value to the contracts process; (2) expansion of the definition of scope; and, (3) the mandatory pre-approval of all solicitations prior to contract award. DHR is seeking ways to further streamline the personal services review process and allow departments more flexibility when entering into personal services contracts.

Goals for the Pilot Program

1. Focus on contracts that have a direct impact on the state personnel system.
2. Monitor, audit, and consult with departments on personal services contract activities.

3. Implement a process that expands on the current waiver process allowing departments greater flexibility to approve personal services contracts internally.
4. Should the pilot prove successful, pursue full ongoing implementation of the blanket waiver process for all state departments.

The August 28, 2003, announcement of the Pilot Program stated, in pertinent part:

“DHR currently utilizes personal services program waivers for specific services, e.g., consulting services, IT services, and maintenance contracts. DHR is establishing a pilot program that will broaden the current practice from departmental personal services program waivers to a statewide blanket waiver for all departments, based on statutory criteria instead of specified services. Specifically, any contracts that can be approved under CRS 24-50-504 (2)(b) through (2)(h) and (3) will be covered under the broader statewide waiver during the pilot. The following conditions will apply to all departments participating in this pilot program.

1. DHR will continue to review any personal services contract that falls under CRS 24-50-504 (2)(a) and 24-50-503 due to the greater potential impact on the state personnel system. Services falling under these categories must still be reviewed and certified by department HR offices, and submitted to DHR for final review and approval.
2. HR professionals must review and sign appropriate documentation for any contract that falls under CRS 24-50-504 (2)(b) through (2)(h) and (3). Review of these types of contracts is waived by DHR.
3. All services currently performed by state programs, such as printing, training, and data entry, must have pre-approval from these programs before seeking outside contractors to perform the service. HR professionals must ensure that these pre-approvals are obtained before approving the request. (See attached Prior-Approval Checklist.)
4. HR professionals are required to review most personal services contracts to determine the approvable basis, sign all necessary documentation to ensure compliance with established waiver conditions, and forward to DHR if required. Documents requiring an HR signature include all certification forms and the issuance of pre-approval letters on solicitations. DHR will provide the forms and sample pre-approval letters.

“Potential Advantages

1. The number of personal services contracts and purchases orders reviewed by DHR will be limited to those contracts approvable under CRS 24-50-504 (2) (a) and CRS 24-50-503, which will eliminate seemingly duplicative review by DHR and allow staff to consult and monitor personal services activity.
2. Individual department program waivers submitted to DHR will no longer be necessary. The pilot statewide blanket waiver process will replace all current individual program waivers for departments participating in this pilot, thus, eliminating numerous staff hours required to establish or renew these waivers on an annual basis both at the department and DHR levels.
3. This process will eliminate four days review time from the central review process for contracts that meet the conditions of the pilot statewide blanket waiver.

4. This process can be implemented within a short time and does not require further rulemaking or statutory changes.”

Evaluators’ Comments and Observations

Overall, the results of this evaluation indicate that the Pilot Blanket Waiver Program was well designed and effectively implemented. Some suggested areas for further study and improvement are:

- DPA/DHR staff should facilitate department staff efforts to acquire more training and drafting of policies and procedures.
- All participants, including HR, purchasing, and contracting staff, should monitor and record time expenditures on the revised procedure, to accurately confirm these findings.
- Continue the HR Forum on a quarterly basis to discuss training and auditing issues to prevent duplication and problems in the future.
- A follow-up survey of participants at the end of Fiscal Year 2004-2005 (i.e., to be conducted in July 2005).
- Address any related issues that arise from the findings of the State Auditor’s Office on the State’s contract management practices relating to personal services contracts.

In our opinion, the success of the Pilot Blanket Waiver Program is due in large part to the professionalism and attitude of Ms. Simpson in how she manages the State’s Personal Services Contracts Program. She always welcomes suggestions and recommendations from any and all sources and, after evaluating their probable effect on the State’s personal services contracts program, adopts (or, in some cases, adapts) those that will improve the efficiency, effectiveness, and ease-of-use by the departments, agencies, and institutions. Her flexibility and willingness to serve her customers (i.e., the staff and officials in all departments, agencies, and institutions in the State) enables the HR Offices to address their customers’ needs while ensuring compliance with the State’s laws. Further, the information that is readily available to all departments’ staff on the Personal Services Contracts’ website (<http://www.colorado.gov/dpa/dhr/oversight/contracts.htm>) is comprehensive yet concise in format and content, thus making it easy to use.

Soon after the pilot waiver program was announced during the fall of 2003, Ms. Simpson, as a communication tool to facilitate implementation of the Pilot Waiver Program, established the HR Forum. This unanticipated intervention in the pilot program process, which included monthly meetings of its members, proved to be a valuable tool for ensuring HR Offices were kept apprised of developments associated with the pilot program as well as offered suggestions for how their offices could model practices after those of other departments, agencies, and institutions who gave presentations during the meetings.

Other interventions that may occur in the future could be a lawsuit/court challenge, IRS audit of the State’s use of independent contractors, or other such events. One such intervention is an audit that is

currently being conducted by the State Auditor's Office of the State's contract management practices relating to personal services contracts. However, that audit has not been finalized yet, so any conclusions and recommendations it may contain regarding the Pilot Blanket Waiver Program could not be included in this evaluation report.

Evaluation Methodology

The evaluation plan used to assess the Personal Services Pilot Program was initially developed during the fall of 2003 by the principal evaluators (Maryann Motza and Dean Conder, Colorado Department of Labor and Employment, "CDLE") and Joi Simpson and Don Fowler (Colorado Department of Personnel and Administration "DPA", Division of Human Resources "DHR"). The proposed evaluation plan was presented to members of the Human Resources (HR) Forum during the Forum's regular monthly meeting on December 12, 2003. Input of all HR Forum members was obtained both during and after that meeting and incorporated into the final evaluation plan (see Appendix B).

The principal evaluation tool that was used to assess the value of the Statewide Blanket Waiver Pilot Program was a questionnaire that was sent to all HR Offices/HR Forum members in the State of Colorado during June 2004 (See Appendix C). In addition, the evaluators reviewed the implementation plans submitted to DPA by agencies, departments, and institutions for the blanket waiver program. The evaluators correlated the relative success and perception of the Blanket Waiver Plans with the results of the questionnaires received from each department, agency, and institution.